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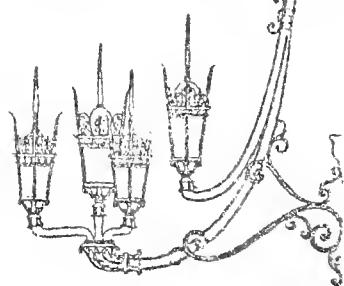
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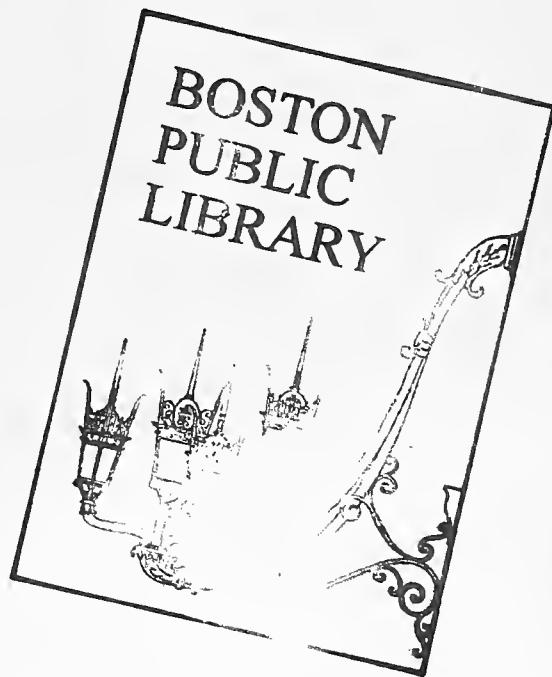
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THE METROPOLITAN BOSTON DEVELOPMENT FUND: A PROPOSAL



AIRRAFT

CITIZENS HOUSING AND PLANNING ASSOCIATION
of Metropolitan Boston, Inc.

50 STATE STREET • ROOM 501 • BOSTON, MASSACHUSETTS 02109 • 742-3720

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THE METROPOLITAN BOSTON
DEVELOPMENT FUND: A PROPOSAL

For more than six months a task force of the Citizens Housing and Planning Association of Metropolitan Boston, Inc. has been studying the feasibility of establishing a housing development fund in Greater Boston. The task force has met with leading businessmen, government officials and neighborhood and church groups to get their advice and gauge the potential support for such a fund. Consultants from Urban America, Inc., a national non-profit organization concerned with city problems, have also assisted the task force.

This draft proposal is intended to describe briefly the need for such a fund, its potential program, its projected structure of organization and its projected budget.

Housing Needs in the Boston Area

Thousands of families in the Boston Metropolitan area are living in housing which adversely affects their health and their social attitudes. Poor housing helps to create an environment which impedes the community's efforts to develop stable, productive neighborhoods. The critical character of housing problems in Boston alone is apparent:

- Within the city of Boston alone, the 1960 census of housing reported 38,932 substandard units. In the metropolitan area there were 112,900 substandard units - about 20 percent of the total number of units. Thus, one out of five units is below standard.¹
- The current waiting list for low-rent public housing in Boston alone stands at 4,500 families with an average of 72 additional applicants received each week.²
- Despite the demand for more public housing, fewer than 800 units have been built since 1959. Since 1954 only housing for the elderly has been built.³
- The overall vacancy rate of housing units in Boston is 1.8 percent. In apartments alone, the vacancy rate is 2.8 percent. The Boston vacancy rates are among the lowest in a U.S. Post Office list of selected cities around the nation.⁴

1 U.S. Bureau of the Census, 1960 Census of Population, Metropolitan Housing.

2 Public Housing at the Crossroads: The Boston Housing Authority; May B. Hipshman; Citizens Housing and Planning Association of Metropolitan Boston, Inc.; Boston; Aug. 1967.

3 Ibid.

4 Summary of Results of Post Office Surveys of Housing Vacancies in Selected Cities; January to June, 1967; U.S. Post Office.

Housing Needs in the Boston Area

The multitude of federal, state and municipal programs designed to arrest urban decline generally have not succeeded in assisting low-income and minority group families in funding decent housing. In order to convert token commitments of the nation into a serious, substantial effort to solve our urban housing problems, the cities must find new means toward a sustained metropolitan housing development program.

Although the demand for housing to meet the needs of families with low or moderate incomes is intense, the private housing industry and the public housing program have not responded adequately. Boston's choices, however, are not limited to private enterprise or government housing programs alone. Current federal and state housing programs to subsidize private construction or rehabilitation of housing for low-income and moderate-income families can be used to great advantage by public agencies and by private groups, such as churches, community action groups, unions, civic organizations and limited-dividend corporations. Such groups are abundantly present in the Boston area. One church group now, for instance, is considering the commitment of \$250,000 on a grant basis to the field of urban housing. Our problem is how to make these programs and groups effective.

The Development Fund

Many American cities, among them Hartford, Pittsburgh and Cleveland, have found a non-profit housing development fund a useful tool to overcome these problems in the housing production process.

The purpose of a development fund is to provide initial impetus and supplemental financial and technical aid not otherwise available to sponsors and developers of low- and moderate-income housing.

To carry out this task, the development fund would employ a privately-subscribed revolving loan fund from which seed money would come. The capital for the fund would come from loan subscriptions and grants from businesses, foundations, churches, individuals, etc.

A development fund would need the support of business and industry, government officials, charitable and non-profit groups and local community organizations. Such broad support and interest will be necessary if the fund is to fill the role of coordinator of the various community efforts to provide decent housing.

Business Support: The fund would need the support of established business institutions at three levels. First, the fund would have to have institutional investment of money in the fund. Second, it would be necessary to have established institutions take an active part in the housing projects, in the planning, financing, construction and management of the projects. Third, the fund would look to institutions in the production of innovations.

The Development Fund

Development funds throughout the nation have served as channels for private firms interested in developing and testing new products in housing. For instance, Armstrong Cork Company in Philadelphia tested the feasibility of rehabilitation with new products in a house provided by the Philadelphia Housing Development Corporation. In New York, the Carolyn Foundation was the organization used to sponsor the "instant rehabilitation" project on East Fifth Street. A building was outfitted with new walls, floors, window frames, appliances and electrical and plumbing supplies in 48 hours in the venture.

The Boston area has an abundance of talent and resources for research and development. Because of the concentration of universities in metropolitan Boston, many of the experts in urban problems are at hand. The development fund could support their work with some of the money it earns or with the grants it could receive.

Governmental Support: The fund would need the support of government officials in many areas; for instance, from the redevelopment authorities in land disposition; from housing authorities, particularly in the use of the federal and state rent supplement programs; from local municipal agencies, especially those dealing with zoning, building codes and taxation; and from federal agencies in connection with their procedures.

Charitable and Non-Profit Organizations: Non-profit institutions, such as churches, should be encouraged to serve as sponsors of housing programs for families of moderate and low

The Development Fund

incomes and should be enabled to provide management of the housing to take up the slack of inadequate federal allowances for competent management.

Charitable and non-profit institutions would be needed to support those fund activities whose costs are not recoverable. These might include surveys on the needs for elderly housing (The Hartford Fund completed such a survey) special social services like counseling on budgeting (the Bicentennial Civic Improvement Corporation in St. Louis provides services like this) the innovative opportunities already mentioned or community services like providing landscaping, play streets and street furniture.

Community Support: Broad community support will be necessary if the residents of housing developments are really going to be helped. To make sure the development fund enlists active participation and the support of citizens, it is suggested that the fund coordinate its activities with a citizen-oriented agency such as Citizens Housing and Planning Association of Metropolitan Boston, Inc. Working closely with the fund, the citizens' board could furnish the housing-related community organization and the social service work implicit in the fund's purpose and could evaluate the effect of the fund on the community.

The Fund Organization¹

The fund should be organized as a non-profit corporation, preferably with a ruling from the Internal Revenue Service approving its status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As a non-profit corporation the fund would be able best to perform its catalytic function in the community and to take advantage of opportunities not available to profit-making groups.

The senior governing body of the organization should be a board of trustees, comprising 13 to 19 members, including leaders from various parts of the Boston metropolitan area with the broad institutional experience to supervise the administration of the fund.

The board of trustees should elect one of its most outstanding members chairman of the board whose duties will be to conduct meetings of the board, to supervise the president in the performance of his duties and generally to guide the exercise of the fund's influence in the business and institutional communities.

The board of trustees at the outset should elect two operating boards of trustees, one a committee for the Boston metropolitan area, the other a committee for the South End and Roxbury area. These committees would be charged with generating and approving applications for loans of fund monies allocated to them by the board of trustees.

¹ Cf. organizational chart, p. 8.

The Fund Organization

At the outset at least one-third of the fund's resources should be allocated for use in the South End and Roxbury area and the balance, for use throughout the rest of the Boston metropolitan area.

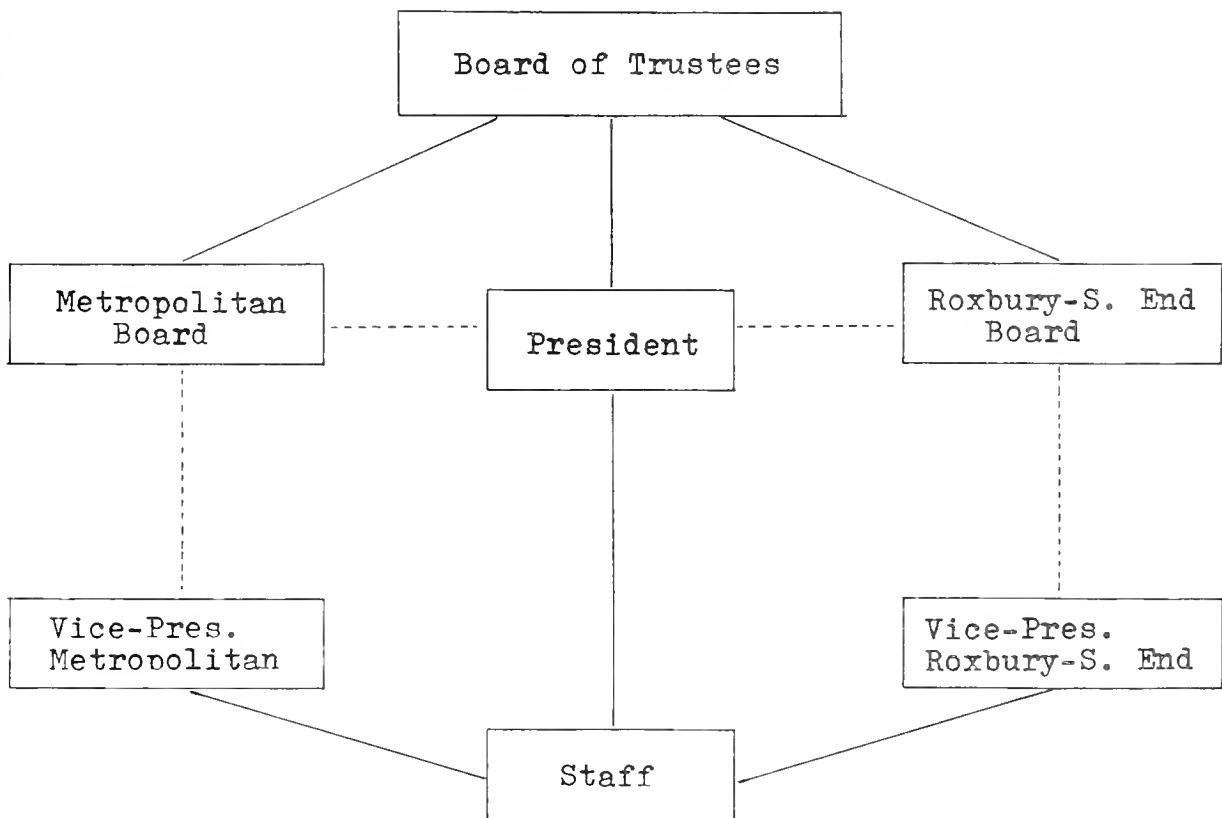
The separate board for the South End and Roxbury area should enable the operation of the fund to be closely coordinated with the efforts of other organizations to solve the critical problems facing the Roxbury-South End community.

The president of the fund, who would be hired by the board of trustees, would be a full-time executive director of the fund with experience in business procedures, particularly with regard to investment and mortgaging, and in the direction of technical staff.

Two full-time vice-presidents, each of whom would serve as an executive of one of the two operating boards, would be hired by the president and board of trustees with the consent of the operating board affected. The two vice-presidents, in implementing the policies of their boards, would be under the direction of the president.

The fund, therefore, as an organization would have two faces, the first, an institutional face, the second, that of the community. The institutional fund would see operations from a downtown or business oriented point of view, conscious of the social purposes of the fund, but cautious in preserving its financial integrity. The community fund would see operations as a force for uplifting the people of a neighborhood, conscious of its financial responsibilities, but anxious to be of service and to bring the people of the community into the direction of the fund. Thus, each of the two points of view would be given a firm base in the fund organization.

The Organization of the Fund



Capitalization of the Fund

To undertake an effective program for the metropolitan area, the fund should have a capitalization of \$3 million. It is suggested that the funds be raised by means of grants, ten-year obligations or lines of credit.

Once fully operational, the fund could expect to derive income from:

- 1) Interest and fees charged for monies advanced to non-profit sponsors for front-end expenses.
- 2) Interest obtained from short-term investment of uncommitted capital funds held in reserve.
- 3) Grants for research and other special projects.

The bulk of the fund's capital would be used as a revolving fund, so that the principal of the fund should be recovered in a relatively short time after the making of a loan, a length of time intended at the outset to be no more than three years. In most cases the principal should be returned with interest since the fund's operating expenses would be met in large part from interest payments. The amount of interest to be charged would depend on the circumstances of the loan and on the benefits to be derived from the venture.

Calculated risks beyond those acceptable to the normal lending market would be undertaken in most situations (otherwise there would be no purpose served by the fund) but those risks would be taken only in light of the potential accomplishment of community objectives or to achieve significant improvement in the quality

Capitalization of the Fund

or quantity of moderate- or low-income housing in the community.

The fund would also be concerned with social and political problems beyond the control of the community where such problems impair the chances for success of feasible proposals. A decision by the fund to approve such proposals would carry with it the responsibility to try to help the community solve the nonfinancial problems to the extent necessary to assure the success of the proposals.

Primary responsibility for the approval of loan applications would rest with the area board involved. The board of trustees should prepare a checklist of items to be covered in reviewing loan applications and should advise and otherwise assist the area board as requested to do so.

The board of trustees would retain the responsibility for assuring the financial accountability of the area boards for their activities.

Pro-Forma Annual Operating Budget*

INCOME

Interest on Loans (1,000,000 at 6%)	\$ 60,000
Return on Investments of Capital (2,000,000 at 5%)	100,000
Grants	20,000
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Total	\$ 180,000

EXPENSES

Administrative Costs (Staff, Rent, Supplies, etc.)	
Central Office	\$ 60,000
Roxbury Office	35,000
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Consultant Fees	
Legal, architectural, etc.	10,000
Technological experiments in housing production, community organization, social services	60,000
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Reserve for Bad Debts	15,000
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Total	\$ 180,000

* Assumes a fully operational budget, probably three years after establishment of the fund.

Next Steps

When this document has been reviewed by the appropriate persons of the Boston area, the Development Fund Task Force of the Citizens Housing and Planning Association of Metropolitan Boston, Inc. will evaluate the response. If favorable, the first step will be to request grant funds (some of which have already pledged), to hire an executive director and to begin raising the capital funds.

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